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Thank you, Mr. Chairman and Members of the Subcommittee, for the opportunity to appear before you today to discuss implementation of the Microenterprise Results and Accountability Act of 2004. The United States Agency for International Development (USAID) has moved vigorously to implement the new microenterprise law, and will outline the specific steps we have taken later in this statement. To put these implementation measures in their proper context, however, I would like to begin with an overview explanation of how microenterprise development and microfinance contribute to USAID's evolving roles in promoting economic growth with poverty reduction around the world, and the strategy USAID pursues to achieve these goals. I will also present observations on the extent to which we are succeeding in this work, and emerging issues in program design and implementation.

Introduction

Speaking before the United Nations last Wednesday, President Bush stated that "We must defend and extend a vision of human dignity, and opportunity, and prosperity.... To spread a vision of hope, the United States is determined to help nations that are struggling with poverty." This commitment on the part of the United States government is as long-standing as it is laudable. It is also challenging. For the past three decades, support for microenterprise development has been an important feature of U.S. foreign assistance. In this era of globalization, generating economic growth in developing countries while reducing poverty is a fundamental development challenge. It is also critical to national strategic and security interests, as reflected in the growing role USAID is being asked to play in fragile states and key strategic partners of the US.

As the leading bilateral donor for microenterprise development (which includes but is not limited to microfinance), USAID has advanced its vision of strengthening economic opportunities for poorer households and the business activities on which they typically rely to enable these families to build assets, cope with the risks and vulnerability that accompany poverty, and plan for better futures for their children. These strategies support delivery of effective financial and business services that poorer families and entrepreneurs need to succeed in these challenges, as well as policy changes that reward

initiative and hard work. The Agency's partnerships with hundreds of diverse U.S. and local microenterprise practitioners have also demonstrated that microfinance and microenterprise development services can contribute to poverty alleviation in a sustainable and commercially viable way.

In FY2004, USAID's microenterprise funding reached \$180 million and is projected to exceed \$200 million in FY2005. This support currently reaches more than 3.85 million entrepreneurs and households worldwide. Their economic activities include producing goods for export, such as footwear, furniture, or food and other agricultural crops; providing services ranging from equipment repair to information technology; marketing raw materials to manufacturers; producing goods and services for their communities and larger businesses; and trading a wide variety of goods. As these businesses expand and integrate into the formal economies of their countries, they empower the world's poor, create higher incomes and more jobs, contribute to economic growth, and strengthen democratic societies.

Leadership and Innovation

The Agency's high-impact investments in microenterprise development over the past three decades have earned it recognition as a leader in the field. In the microfinance field, USAID recently received a top rating overall and a top rating specifically in accountability in peer reviews of 17 donors' effectiveness in carrying out microfinance activities worldwide. The reviews were organized by the Consultative Group to Assist the Poor (CGAP), a 28-donor partnership that develops industry standards and identifies and promotes best practices in microfinance. Among the participating donors, which included bilaterals, development banks and multilaterals, USAID received top ratings in staff capacity, accountability for results, and appropriate instruments, and received high ratings as well in knowledge management and strategic clarity. The peer review ratified the Agency's multifaceted strategy, noting that "USAID has largely contributed to the field by funding some of the most prominent microfinance institutions (or MFIs) and networks (such as [Bank Rakyat Indonesia], Grameen replications, ACCION, FINCA, Banco Ademi, the World Council of Credit Unions, etc.) and by launching research programs that have produced significant knowledge and become public goods for the international community." The report concludes that "With over 25 years of experience, USAID rightly describes itself as a pioneer and a leader in the field of microfinance."

The Agency's reputation as a leader and innovator in the field of microfinance is further evidenced by the fact that our work embodies the key principles contained in the "Donor Guidelines on Good Practice," published last February by CGAP. Examples include our practice of supporting diverse retail providers of financial services (e.g., banks, credit unions, NGOs, non-bank financial institutions), supporting a balanced mix of interventions (on the micro, meso/market, and macro/policy levels), insisting on sustainability, phasing out grant-funded loan capital as soon as feasible, encouraging leverage of private resources, etc. Further, our programs also substantially embody the core microfinance principles recently adopted by the Group of Eight (G8) leading industrialized nations at the 2004 Sea Island Summit.

In the area of expanding opportunities for micro and small enterprises, USAID is also recognized as a leader and innovator. USAID was one of the first donor agencies to embrace the principle that business services must be sustainable and demand-driven, so they respond to market signals and can be scaleable. USAID enterprise development programs rely substantially on private-sector, commercial firms to offer relevant services to smaller entrepreneurs and link them into improved markets on favorable terms. Our recent work to strengthen key value chains – such as dairy and horticulture in Kenya, handicrafts in Guatemala and Peru, specialty apparel in Pakistan and Brazil -- in which poorer entrepreneurs can participate effectively, is widely recognized by other donors as pioneering. Other donors have asked USAID to take the lead in developing improved ways to evaluate the impacts of diverse enterprise development programs on businesses, families, communities, and economies.

USAID’s leadership in microenterprise development is also well established in identifying and disseminating best practices, and generating knowledge and tools for practitioners. This investment in applied research, experimentation, tools development, and dissemination enables the Agency to identify and seize new opportunities, to develop innovative interventions, and to improve investments in capacity building and direct service delivery that contribute to efficiency, cost-effectiveness and sustainability – three goals identified by PL 108-484.

Microenterprise Development in the 21st Century

USAID Administrator Andrew Natsios stated in USAID’s White Paper, *U.S. Foreign Aid Meeting the Challenges of the Twenty-first Century*, that today, we are witnessing the most significant shift in awareness and understanding of international development that’s been seen since the end of World War II. The demise of the Soviet Union, the integration of global communications and markets, the growing menace of global terrorism, weapons of mass destruction and transnational crime, the surge of HIV/AIDS and other infectious diseases—all these are hallmarks of an altered 21st century landscape for development.

As we have revised the Agency’s strategies and programs to strategically align U.S. foreign aid resources and accountability with the various and distinct objectives of foreign aid, we have also identified opportunities for microenterprise development and microfinance to contribute to each objective. These include support for especially disadvantaged populations that have experienced trafficking, natural disasters, HIV/AIDS, and conflict. Our efforts in these areas are further discussed below, in the section on “Expanding the Reach of Microenterprise Development.”

Globalization is one critical factor shaping the opportunities for growth and poverty reduction in developing countries. Driven by international trade, spurred by liberalization and aided by technology, globalization has propelled competitiveness on a world scale. Whereas historically, firms have tended to compete against other firms in the same country, with globalization, industries in one country are competing against the same industry in another country. As a result, firm-level competitiveness is no longer sufficient, if the firm is situated in an industry or value chain that is weak. Consequently,

donors concerned about growth that reduces poverty must focus not only on directly improving performance of the small and very small firms that the poor own and operate but also on the performance of industries in which large numbers of the poor participate.

Growth is an essential requirement and, frequently, is the main contributing factor in raising the average incomes of the poor. However, the extent to which growth reduces poverty varies dramatically, depending on the level of inequality to start with and the extent to which the poor are able to participate in and benefit from the growth process. In those countries where the poor are not linked into growth opportunities or where they lack the resources with which to take advantage of existing opportunities, economic growth translates into poverty reduction much less effectively and efficiently than in countries where the poor are linked to growth opportunities and have the means to respond to those opportunities. Conversely, where the poor are linked to growth processes, growth is more likely to be sustainable.

USAID has sought to create wealth in poor communities and promote economic growth by linking large numbers of micro and small enterprises (MSEs) into productive markets on a sustainable basis. USAID programs around the world help to link MSEs into global and domestic value chains, while addressing the constraints these small firms face in competing in more lucrative and sophisticated markets. Small firms benefit from participation in a global economy in certain situations and under certain conditions. After identifying those conditions, we can target sectors where the poor are concentrated – often within the agriculture or informal sector -- and aim to improve the competitiveness of industries in which significant numbers of micro-scale firms participate.

The critical contribution of access to finance in promoting economic growth with poverty reduction is increasingly well-understood. Particularly in poor countries, interventions to increase access of poor households to diverse financial services – credit, savings, insurance, remittance and payment services – are powerfully associated with growth overall, and with growth that has broad-based benefits. Financial services permit poor households to invest – in their businesses and livelihoods, in their children’s education, in housing, in protecting family members’ health – thereby increasing not only income but assets that generate long-term returns. The long and complex road out of poverty requires not just increased incomes, but growth and diversification of assets. Financial services also can help protect households from the ever-present risks that poverty brings – death or disability of a breadwinner, extended illnesses, drought and natural disaster, conflict. This protection benefit can help near-poor and once-poor households avoid slipping backwards when adversity strikes, as well as preventing destitution among working poor families.

For all these reasons – growth, poverty reduction, social protection – USAID has long been a major investor in microfinance. We have built institutions that currently provide millions of low-income entrepreneurs and households with diverse financial services. As the microfinance field and our work have matured, we have come to embrace a more ambitious vision. It is no longer sufficient that the poor have access to services from sustainable microfinance institutions. We now seek to help create inclusive financial

markets that serve the poor majority in developing and transition countries. This requires carefully-designed investments that build strong retail institutions specializing in microfinance, that attract mainstream financial institutions into this market, that build the market infrastructure required for pro-poor finance to thrive, and that ensure policy environments that are favorable to this vision.

USAID’s Vision for Microenterprise Development

USAID’s assistance programs seek to broaden economic opportunities for poor and very poor entrepreneurs and households to help them build assets, cushion the impact of financial shock, and contribute to key sectors of local, national and regional economies. Such assistance is a critical aspect of our work to achieve the Agency’s objective of spurring economic growth with poverty reduction.

Over the course of almost three decades, USAID has developed and adapted a wide range of innovative strategies, programs and tools. The three interrelated components of our strategy in this field comprise enterprise development, microfinance, and policy, regulatory and legal reform.

Congress recognized the validity of these strategy elements in PL 108-484, which authorizes a comprehensive package of assistance that includes training, technical assistance, capacity building, and research to expand the availability of credit, savings, and business development services, and to extend the reach of programs aimed at improving policy and regulatory environments for microenterprises.

Enterprise development

Low-income entrepreneurs need assistance in linking into better markets and increasing their productivity and competitiveness. This requires sustainable business services, market linkage services, access to improved production technologies, and organization of poorer entrepreneurs into groups to improve their efficiency and bargaining power in the market. It also requires strengthening value chains that are particularly important to poorer entrepreneurs.

In the words of Ela Bhatt, Founder of the Self Employed Women’s Association (SEWA) in India, which has a membership of 687,000 women:

“Poor people put savings and credit to good use in building their assets, incomes and social welfare. At the same time, it is increasingly clear that access to financial services alone will not be enough for poor people to transform their businesses into more profitable economic activities. Many poor people who are self-employed and in the informal sector are operating in saturated markets. With increasing globalization, the poor need access to markets, information, technical know-how, and other supporting services if they are to share in economic growth.”

To increase opportunities for enterprises owned and operated by low-income people, USAID carries out the following kinds of activities:

- Promoting the development of competitive value chains in sectors important to smaller entrepreneurs, and supporting the linkage of micro and small firms into these chains on favorable terms. Opened up new market opportunities, including export, for these value chains.
- Supporting upgrading microbusinesses' capacity (through new production techniques, technology, quality control systems, etc.) so they can improve their performance and meet the standards of the new markets in which they are operating.
- Testing and implementing sustainable "win-win" models for larger "lead firms" to deliver effective services and support to the smaller firms that supply them with goods and services.
- Aggregating microbusinesses into groups, including cooperatives and clusters, to increase their ability to fulfill larger orders and their bargaining power in the market.
- Promoting the development and replication of sustainable models for delivering business services, particularly by commercial service providers.
- Facilitating the development of competitive business service markets with competition among providers to offer diverse services to smaller firms.
- Supporting organization of micro and small businesses to advocate for their interests with policy makers, municipal authorities, government agencies, chambers of commerce made up of larger firms, etc.

Examples of our work in this area are illustrative of the potential impact of this approach.

- USAID helped entrepreneurs in Peru boost sales of their products by \$78 million, helping create almost 40,000 jobs. The Proyecto de Reduccion y Alivio a la Pobreza (PRA) created demand for local products, including showcasing red quinoa, a high-protein staple of the Andean diet, at a U.S. restaurant association trade show and Peruvian ceramics to the High Point Furniture Market in North Carolina. The Peruvian products were a hit, landing lucrative contracts worth millions of dollars for local businesses and entrepreneurs. []
- USAID helps microentrepreneurs obtain vital technologies they need to scale up their businesses and enter more profitable markets, such as micro-irrigation kits, food processing equipment, and information technology. For example, in 2001, USAID and International Development Enterprises India brought drip irrigation technologies to subsistence farmers in Maharashtra. Local farmers were able to transition from subsistence to cash crop farming – horticulture to serve growing demand from urban consumers -- and realized income gains of \$200–400 each per year.
- In Haiti, 37 coffee-grower associations representing 25,000 small growers received USAID support to develop a common logo for the "Haitien Bleu"

premium coffee brand. Backed by consistent quality standards and a targeted market, Haitien Bleu has provided the micro producers returns significantly higher than they previously were receiving for coffee harvests without quality controls and premium designations. In Bolivia, USAID funds supported technical assistance to a group of coffee producers and helped build coffee pre-processing plants in producer communities to improve the consistency of coffee quality, contributing to the success of over 20,000 small coffee producers. Bolivia's coffee sector continues to expand and export specialty coffee to large buyers such as Starbucks.

- In Bangladesh, the USAID-supported JOBS program supports firms producing hand-made sandals for export to Paris. With project assistance, the larger exporters organized groups of smaller producers to supply this market, providing them with inputs, designs and quality control in addition to export services. The business services facilitated by JOBS helped flexible, labor-intensive micro-firms enter emerging niche markets for which larger firms are less well suited. The micro firms also used the learning they received from exporters to develop and sell a product for the domestic market, thereby further increasing their incomes. As a result, individual microentrepreneurs working as part of a cluster saw income increases ranging from Taka 2000-5000 (\$40-\$100) per month, depending on their skill level.
- With USAID support, World Education (WE) in South Africa has initiated a program to help micro and small construction firms owned by previously disadvantaged individuals (PDIs) to benefit from the countrywide construction boom and the South African government's mandate that contractors building for the government subcontract work to PDI-owned businesses. WE stimulates the market for business support services such as information about bidding opportunities, skills in bid preparation and job costing, access to finance to procure inputs and pay workers during contract implementation, and improved operational and technical skills. One of WE's most successful initiatives is the Access to Resources Seminar series that promotes interaction between support service providers and micro- and small-scale contractors, spreading awareness about services and service delivery models to stimulate replication. Micro and small businesses together account for close to 87,000 of the 90,000 firms in South Africa's construction sector, which generates nearly a third of the country's GDP.
- With USAID support, beginning in 2002 the Mennonite Economic Development Associates (MEDA) and its local (Pakistan) partner, the Entrepreneurship and Career Development Institute (ECDI), have been implementing a project called "From Behind the Veil" to help home-bound women embroiderers in three conservative areas of rural Pakistan link to urban wholesalers and retailers. MEDA and ECDI are developing a women-to-women sales network whereby sequestered women are able to reach higher value markets through mobile women intermediaries to expand both the growth of the sector and the income of the individual microenterprise clients. The project is currently working with thirty-six

female intermediaries who are actively receiving and selling orders from over 1600 rural embroiderers and 80 urban garment makers. By the end of project implementation, these figures are expected to reach 70 intermediaries and over 6,000 producers. The majority of women in the program have already seen their income double as a result of their participation. By mainstreaming these women into project activities, MEDA and ECDI have effectively reduced gender inequalities in access and control of value chain activities while at the same time respecting and adapting to existing cultural norms.

- Since 1999, USAID-Haiti has supported Aid to Artisans, a U.S.-based NGO, to create economic opportunities for poor artisans. New market linkages between Haitian microenterprises and large-scale buyers such as Pier One have resulted in more than 2,500 long-term jobs and 11,000 short-term jobs.

Financial services for poor households and enterprises

Low-income entrepreneurs also need financial services to meet diverse business needs – credit for working capital and investment, savings, payment services to carry out everyday commercial transactions. In addition, they and their families need access to diverse financial services (savings, credit, insurance, remittance and payment services, transaction accounts, etc.) for non-enterprise purposes – to help them cope with the emergencies and other crises that beset poor households (death or disability of a breadwinner, illness of family members, natural disasters, war and conflict, etc.), to invest in education and other human capital, to build assets such as their home, to smooth consumption when times are lean, and to plan for weddings, funerals, other rituals and celebrations, and old age.

USAID has been a leader worldwide in supporting the creation of sustainable financial institutions capable of delivering the variety of services that poorer households and their enterprises require. USAID's hundreds of partners in this work have built strong NGO microfinance institutions, credit unions, specialized microfinance banks, and non-bank financial institutions. Often, the first challenge is to demonstrate that microfinance can work – that the poor can take and repay loans, that the poor can and do save, that financial services can be delivered profitably to groups long considered unbankable. This may involve comprehensive support for “market leaders,” well-managed financial institutions that show what is possible and prepare the ground for other players to enter. In some countries it has proven possible to transform sleepy or poorly-performing credit union movements by helping “model credit unions” modernize and add demand-driven microfinance services.

As the viability of microfinance is established, USAID may continue to support market leaders, in a more focused way, while encouraging the entry of new institutions interested in this market, such as mainstream banks or insurance companies. The early market leaders, which in many cases have been NGOs, might benefit from assistance to access private capital to finance their growth once they are profitable, and to transform to a regulated legal structure if the opportunity presents itself and offers an avenue for substantially improved and scaled-up services. There may also be opportunities to

support the transformation of failing state-owned banks -- with their enviable network of branches and deposits but weak credit portfolios -- into effective providers of microfinance.

As microfinance markets mature and get more competitive, USAID needs to be attentive to the danger of distorting the market, by providing extensive assistance to one or two players to the disadvantage of others that might have creative ideas for extending services to the unbanked. The focus might shift from large-scale support to market leaders to more targeted assistance aimed at supporting development of new financial services and finding new ways to reach underserved markets such as remote rural areas, very poor households, or growing microenterprises that have outgrown the typical microcredit offerings. Application of technologies – for example, through Global Development Alliance partnerships with global IT or financial services companies -- might offer promise to increase the efficiency, profitability, and client responsiveness of microfinance institutions. Partial guarantees offered through USAID’s Development Credit Authority (DCA) have proven useful in leveraging new private capital into the market, e.g., by sharing risk with mainstream banks “downscaling” their products to serve poorer clients or lending to microfinance institutions.

Comprehensive “umbrella programs” (described in more detail in the section of this statement describing USAID’s implementation of the new law) that are designed to build the broader microfinance industry are often appropriate at this stage. In addition to strengthening the diversity of retail financial institutions, such programs can support interventions at the meso and macro levels that are necessary to dramatically expand the availability and diversity of financial services for low-income markets. Examples of meso-level work include efforts to build the capacity of local consultants, auditors, ratings firms agencies, or training institutions or to create or strengthen credit information bureaus, that help all lenders in the market manage their risks and expand their offerings. Measures to improve the macro level -- financial-sector laws, regulations and policies to create an appropriate enabling environment for pro-poor financial services, and capacity of bank and credit union regulators to supervise microfinance activities and institutions -- are often critical at every stage of market development.

In sum, USAID has pursued a comprehensive strategy of support for microfinance, drawing on hundreds of diverse implementing partners. To ensure cost-effectiveness and strong impacts, it has learned to tailor its assistance to be appropriate to specific local conditions and needs, as well as the stage of development of financial markets. Among the specific activities it has supported, as authorized by PL 108-484 and earlier legislation, are the following:

- Supporting the start-up and expansion of strong, sustainable retail institutions to deliver diverse financial services to poorer households and enterprises
- Supporting market research and new product development processes to help our partners develop a greater variety of demand-driven services,
- Encouraging the entry of new players, such as banks, to deliver financial services once the viability of microfinance had been sufficiently demonstrated

- Supporting MFIs to gain access to private capital (domestic and international) to expand their services, including through innovative DCA support for guarantees of loans, bonds, and investment funds targeted to microfinance expansion.
- Supporting the development of service providers to MFIs, including international and local technical assistance providers, auditors, ratings firms, national microfinance associations, etc.
- Supporting the development of new technology solutions to diversify MF services, strengthen MF operations, and facilitate access to capital
- Improving microfinance laws, regulations, and supervision capacity.

Some examples illustrate the results of this support:

- USAID's Microenterprise Development office began supporting WISDOM, World Vision's Ethiopia microfinance affiliate, in October 2001 through its Implementation Grant Program (IGP). As of December 31, 2004, WISDOM's outstanding 6,757 loans were worth \$2.162 million and WISDOM was serving 19,912 people, 42 percent of whom were women. The businesses growth enabled by the loans these women secured helped them to provide their families with protein-rich foods such as meat and eggs. Female clients were also significantly less likely to require food aid, which suggests that WISDOM's programs succeed in reducing vulnerability to prolonged drought and food insecurity.
- Eighty percent of the Democratic Republic of Congo population lives in poverty. Recognizing the opportunity embodied in a more secure financial environment, in September 2002, MD awarded FINCA \$1.2 million through the competitive Implementation Grant Program (IGP) to launch a village bank program. Today, FINCA DRC's loan portfolio counts more than 7,000 clients with an outstanding loan portfolio of \$630,000.
- Today, the Agricultural Bank of Mongolia, now known as Khan Bank, is the leading provider of financial services to rural Mongolia (with the largest rural branch network), one of the largest taxpayers in Mongolia, and the most profitable of the 16 major Mongolian banks. But just five years ago, Ag Bank was in receivership and facing possible liquidation after more than a decade of political interference, mismanagement, loan losses, and numerous brushes with insolvency. Many in the international community felt the Bank could never operate sustainably and should be closed. However, the Ag Bank's role in providing crucial financial services to Mongolia's vast rural areas meant that closing it would have had a catastrophic impact on the rural economy and the economy as a whole. Instead, an enlightened partnership between the Government of Mongolia (GoM), USAID and other donors recognized and leveraged the Bank's latent assets, namely its extensive rural branch network franchise and corresponding access to a large and underserved market. Ag Bank's subsequent rapid turnaround and successful privatization highlights the potential of commercially-oriented microfinance to transform even the most troubled state-owned banks into sustainable providers of financial services while also maintaining rural outreach.

- For 11,000 Malawians, opening a savings account at USAID-supported Opportunity International Bank of Malawi (OIBM), which began operations in 2003, is a new and important experience. This is particularly true for the 50 percent of them who had never before had a bank account. “By emphasizing savings, OIBM has taken a less common, sustainable path for microfinance institutions, most of which rely on donors to fund loans. Through OIBM a community's excess resources are collected and saved, and then cycled back into the community in the form of loans, which when repaid are recycled into new loans. Outstanding deposits total \$1.1 million. Through OIBM, entrepreneurs also have access to capital at fair market rates of interest—without producing collateral. In its first year, OIBM provided about 300 loans with an average amount equivalent to \$300. About 70 percent of the loans went to women. Since 1971, Opportunity International has provided microcredit in developing nations at an average repayment rate of 98 percent. The impact of microfinance in Malawi helps whole communities, including the most vulnerable among them. With 15 percent of adults infected with HIV/AIDS in Malawi, the disease has taken a devastating toll on family life, including income. Families who can open a small savings account earn interest, which may help them to cover the cost of medications or a funeral. The launch and expansion of microenterprises results in job creation, as entrepreneurs become employers.
- USAID funding helped establish one of the first commercial microfinance operation in large, underserved markets of São Paulo, Brazil. Banco ABN AMRO REAL S.A. (ABN AMRO) partnered with ACCION International (ACCION) to create a microfinance subsidiary. ABN AMRO is the fourth largest bank in Brazil. ACCION is providing microfinance technical assistance to enable ABN AMRO to reach deeper into nascent microfinance markets. Since project inception in 2002, program is characterized by increasing financial sustainability and growth. From September 2002 to June 2004 the average total microfinance assets grew by nearly 22 times; and, from June 2004 to present, the average total microfinance assets grew by 350%. ABN AMRO’s microfinance operations are on track to be financially sustainable before the project completion date in September 2006.
- USAID’s supported the establishment of the first microfinance institution in Afghanistan – the First Microfinance Bank of Afghanistan – through a grant to the Aga Khan Fund for Economic Development. At project inception, Afghanistan did not have a functioning banking system. Those banks in operation were state-owned, and offered few financial products. A World Bank study stated that nearly 80% of entrepreneurs in Afghanistan highlighted the lack of financial services as a constraint to doing business. After its first few months of recruiting and training new staff, the First Microfinance Bank of Afghanistan opened its doors in August of 2004. The bank has already disbursed nearly \$5 million (USD) to microentrepreneurs around Kabul and has collected over \$13 million (USD) in deposits. The bank is also taking active steps toward increasing the number of women borrowers.

Improved laws, regulations, and policies for poor households and their enterprises:

Benefits to poor entrepreneurs of the direct services described above will be greatly amplified if the policy environment rewards rather than punishes hard work and initiative, creates incentives for informal sector businesses to formalize, and levels the playing field between smaller and larger firms. In addition, improvements in the policy environment can greatly accelerate development of pro-poor financial and business services. In some cases, the Agency can accomplish more by helping implement a law than it can by supporting a single institution to deliver direct services. For example:

- In Ukraine, the average cost of business registration has decreased by 50 percent and the average time required to license a business has decreased by a similar amount. Because these costs weigh most heavily on the smallest firms, these successes provided the greatest benefit to small and micro enterprises. More important, greater transparency in the system has reduced corruption related to business registration by 84 percent. As a result, survival rates for new businesses in Ukraine increased by almost 20%. Over 378 regulations that constrained business development in the regions were changed. Consequently, 12 percent of the business training beneficiaries of BIZPRO, a regional USAID-funded enterprise development project, started new businesses; the survival rate of new enterprises increased by 18 percent, and 25 percent of training beneficiaries reported an increase in personal income.
- USAID advocated for the removal of interest rate ceilings and the termination of government directed-credit programs in countries as diverse as Haiti and the Philippines in the mid-1990s, unleashing an explosion of microcredit.
- USAID played a key role in Sri Lanka in the passage of the Intellectual Property Rights Law as part of a broader program increasing the competitiveness of Sri Lankan firms. The Intellectual Property Rights Law was a necessary to protect high quality Sri Lankan products from foreign knock-offs. While these industries, composed of small, medium and large firms, collectively employed over 1,100,000 workers, their growth had stagnated. Businesses were unwilling to invest in improving the quality and reputation of their products due to a lack of intellectual property protection. The passage of the law removed this barrier.
- In Morocco, a USAID-developed business registration system helped improve the efficiency of the pilot Regional Investment Centers (RIC) in Agadir, reducing the time necessary to register a business from several weeks to less than one day; this system will be adopted by other RICs that have now been opened in 20 locations around the country. The commercial court of Agadir continues to report improvements in the time required to complete a case from 227 days in 2001, to 144 days in 2002, and 97 days in 2003.
- In Russia, laws drafted by a USAID-supported think tank dramatically reduced licensing, registration requirements, and state inspections that constrain the formation of new businesses. These laws, along with others on leasing,

entrepreneurship and consumer credit cooperatives, were enacted with the help of the bilateral Small Businesses Working Group, also supported by USAID.

Expanding the Reach of Microenterprise Development

Finally, we recognize that microfinance and microenterprise development are most effective as tools for poverty reduction among those who have the capacity and opportunity to be economically active. People who are particularly disadvantaged – by macroeconomic crises, conflict, or natural disaster, or equally by disease, a family death, a run of bad luck -- may be in greater need of basic services such as health care, shelter and food. In some cases, microenterprise assistance may be relevant only if combined with other relief or development interventions.

As we continually evaluate the needs of our clients, the poor and very poor households and entrepreneurs, we must be sensitive to new challenges and obstacles that they face in their daily lives. In the case of especially disadvantaged populations such as victims of trafficking, natural disasters and HIV/AIDS, we have identified opportunities that will expand the reach of microenterprise development to aid these more vulnerable groups who may need more than finance and entrepreneurial assistance to seize and benefit from economic opportunities. We have found that in these situations, microenterprise assistance may need to be tailored to the specific local context and constraints of the target group.

Research in these new areas of assistance has been invaluable to better understanding the benefits and risks of various approaches and to effectively design programs that are attuned to the very real needs and opportunities of these groups. A brief overview and sample of our results in these areas is addressed below.

Anti-trafficking

USAID has funded anti-trafficking projects in South East Asia, including Vietnam, Laos and Cambodia, which incorporate support for livelihoods and microenterprise development. Approaches may include: linking skills training with income generation programs, microenterprise credit and savings projects, technical advice, group formation, and job service centers that support self-employment and business start-up as well as formal job-seeking. Targeting microenterprise development activities to at-risk women entrepreneurs in high trafficking areas will continue to be an important tool in USAID's approach to addressing the trafficking challenge.

HIV/AIDS

The HIV/AIDS pandemic is having a tremendous economic impact on households, businesses, and national economies. Micro and small enterprises (MSEs) are particularly at risk because they comprise more than 90 percent of all enterprises in the world and already face constraints to market access. The additional burden of HIV/AIDS on MSEs could be sufficient to push many of these firms out of the markets in which they are

currently active. We have improved our assistance to these groups and developed promising approaches to reach them while also adapting support to all MSEs in HIV/AIDS-affected communities to ensure that broader programs do not exclude HIV/AIDS-affected entrepreneurs. A few examples are:

- In areas devastated by HIV/AIDS, such as in Zimbabwe, USAID missions are using microfinance to mitigate the economic impact on orphans and others affected by the disease. Currently, one in four people between the ages of 15 and 45 in Zimbabwe has HIV and some 624,000 children under the age of 15 have lost one or both parents to the disease. USAID funds programs to provide training, business skills, and financial services to affected communities. It supports microfinance institutions such as Zambuko Trust, a partner of Opportunity International, to adapt its products, cope with its own human resources disaster, and weather the crisis. USAID also assists the national microfinance network, Zimbabwe Association of Micro Finance Institutes (ZAMFI), as well as local affiliates of international networks. This support to national and multi-country networks has been a key component of the USAID mission's strategy for addressing the multiple needs of Zimbabwe's economically active poor in an integrated fashion.
- USAID is developing approaches to provide MSEs with better safety nets to help them avoid irreversible coping strategies (such as sale of assets or borrowing at exorbitant interest rates), and increase the likelihood that they will survive the impact of AIDS on the business. FINCA, Opportunity International, and other USAID partners have designed microinsurance products that enable HIV/AIDS-affected individuals to continue to access credit without placing undue risk on the family or the MFI. These products include credit life insurance, critical illness coverage, and funeral benefits insurance.
- USAID's program in Zimbabwe also identified labor shortages as one of the key constraining factors to participation in commercial activities by AIDS-affected households. In order to overcome this labor bottleneck, the program introduced drip irrigation to its home nutrition garden program. The drip irrigation system uses half of the water of conventional bucket watering, and so requires half of the labor for watering. By overcoming the important labor bottleneck, it allows AIDS-affected households to participate in an income-generating activity that may otherwise have been unattainable. This approach was subsequently taken to Ethiopia and adapted to AIDS-affected women in urban areas.
- USAID was able to increase the income of HIV/AIDS-affected households by supporting honey production and marketing. Honey is an ideal product for AIDS-affected households because of its overall low labor input and its relatively high return per labor input. At the time the project was started, honey production had a labor return of US\$3.05 per hour, compared with US\$0.44 per hour for a farm laborer on minimum wage. The Forestry Company, a private firm that produces, purchases, and processes honey, set up collection points to purchase honey from its regular suppliers. This allowed the firm to buy honey from producers in a

given area without having to visit each producer to collect it. In order to ensure a consistent supply, the buyer also committed to providing the honey producers with training in hive management and bee-keeping, as well as information on the different grades that it purchases.

Tsunami and other disasters

To address the specific needs of tsunami victims, USAID has launched new programs to help get people back on their feet and back in business.

- For example, in Sri Lanka, thousands of livelihoods were shattered by the Tsunami – everything from destroyed fishing boats, to damaged guesthouses, to lost inventories. Before the tsunami many of the income generating activities were informal and part-time, but were crucial to meet household needs. Under the Revive and Upgrade Economic Livelihoods in Tsunami Impacted Areas (REVIVE), USAID is funding a \$10 million special disaster assistance recovery fund through Office for Foreign Disaster Assistance (OFDA) financing. REVIVE finances activities through three windows: (1) cash for work to provide immediate liquidity to households, (2) assistance for the restoration of MFI operations thereby giving their clients access to financing, and lastly (3) economic opportunity interventions such as grants for productive assets, as well as training and skills enhancement for microentrepreneurs.
- In Banda Aceh, Indonesia, the Youth Branch of Muhammadiyah was able to recapitalize and restart their revolving loan fund. The only facility providing vital "seed money" for micro-entrepreneurs to get back to business, the fund now provides working capital for hundreds of microenterprises affected by tsunami. Approximately 80% of project funds have already been disbursed to micro-businesses involved with the sale of cooked food and drink, vegetables and fruit, children's toys, and clothing. Thirty percent of people receiving loans are women, and repayment stands at 100 per cent.
- More than 1,200 small entrepreneurs, farmers, and fishermen in Sri Lanka's Matara District will receive technical assistance, working capital, materials, and equipment. The program will also establish producer groups to encourage sustainability. Group members will pool funds to purchase raw materials at discount rates.

Two aspects of USAID's work in the microenterprise development field particularly help explain its success. The first is a decentralized structure that relies on missions to assess needs on the ground, to design strategies and programs that respond to local realities, and to ensure that communities are directly involved in assistance provided to them. The second is diverse partnerships and a variety of instruments and mechanisms to maximize the range of expertise upon which the Agency can draw.

Tailoring Assistance to Local Realities

At all levels within the agency, USAID recognizes and embraces a tremendous responsibility to be responsive to local realities, constraints and opportunities and to design innovative, cost-effective programs that have best practices as their foundation while being tailored to client needs and the local context.

In microfinance, for example, the CGAP peer review points to USAID's decentralized programs and expertise as a strong comparative advantage vis-à-vis the 16 other donors. Long experience suggests that it is better practice for central units to play advisory and technical leadership roles than to program the lion's share of funds centrally or approve activities across the entire USAID portfolio.

Diverse Partnerships for Success

A further advantage USAID enjoys is its ability to use diverse instruments and mechanisms, including grants for a wide variety of purposes, credit enhancement through the Development Credit Authority, and Global Development Alliance agreements to encourage private-sector engagement. The CGAP peer review noted that USAID has a comparative advantage in working directly with the private sector through appropriate instruments – and that there is widespread evidence that the private sector is more efficient at delivering financial services than governments.

In addition to the diverse instruments and mechanisms it employs to implement its microenterprise support, the Agency engages with a large number and broad range of partners, including international PVOs, local NGOs, business and trade associations, credit unions and cooperatives, consulting firms, governments, commercial banks, rural banks, finance companies, non-bank financial institutions and research or educational institutions, among others. Currently, the number of USAID partners in microenterprise development and microfinance numbers over 500. The diversity of partners reflects our comprehensive strategy of working to strengthen institutions, the financial sectors and markets in which they compete, and the policy environments that circumscribe their potential. Working at all of these levels demands a wide range of skills, and the Agency is committed to ensuring a level playing field that yields the best combination of partners to implement comprehensive programs efficiently and cost-effectively.

Progress in Implementing PL 108-484

As reported previously, the Agency is undertaking a range of measures to comply with PL 108-484. We have established an office of Microenterprise Development (MD) and increased its budget, commensurate with its new responsibilities; its Fiscal Year 05 budget of \$20 million is more than a third larger than its FY 03 budget level. We have initiated new programs, including central programs designed specifically to strengthen our relationship with our PVO partners and link them to mission programs.

Central Programs and Support to PVO Networks

Increased funding for MD has permitted the office to prepare a number of new competitive grant programs. The MD office will be conducting two rounds for the Implementation Grant Program in the coming year. “Access to Financial Services for the Very Poor,” the RFA to be within the next two weeks, will focus on innovative approaches to increasing access to financial services for the very poor, that generate replicable processes, tools and methodologies for use by the global microfinance industry. “Linking Economic Growth to Poor Households,” the RFA for which will be released by mid-October, will focus on approaches that foster the competitiveness of industries in which large numbers of small and very small firms participate; improve microentrepreneurs’ access to the finance, business services, and knowledge they need to compete in growing markets; and ensure that the poor who operate these very small firms benefit from participating in growing markets.

The combined funding for these worldwide grant competitions will be \$10 million. MD staff will carry out field-based appraisals of highly-ranked applications and make awards once funds are available in Spring 2006.

MD is also announcing several additional grant competitions, with funding of roughly \$2 million, to support innovation and fund training and dissemination of best practices for microfinance and microenterprise networks, among other things. The first competition will be announced by the end of this month and awards will be made early in the coming fiscal year. MD was also able to provide additional funding to the Small Enterprise Education and Promotion (SEEP) Network for its competitive Practitioner Learning Program, which provides grants and technical assistance to PVOs and NGOs for innovative microfinance and enterprise development activities.

These new grant competitions respond to the provisions in the law concerning central programs and emphasis of eligible implementing partners.

USAID has designed the new microenterprise Leader with Associates (LWA) mechanism to achieve the policy goals reflected in the law, by enhancing USAID’s access to the microfinance and microenterprise development expertise of the nonprofit community and offering USAID missions a new and cost-effective option for carrying out work in this field. The activity, entitled Financial Integration, Economic Leveraging, Broad-Based Dissemination and Support Program, or FIELD-Support, establishes a mechanism by which a non-profit or consortium of partners can provide services directly to USAID Missions as well as other offices and operating units within USAID/Washington through Associate agreements.

The LWA Leader agreement (the base upon which future associate agreements will be made) will be awarded by the end of the current fiscal year. Its primary objectives include:

1. Strengthening the economic status and security of poor households;
2. Promoting economic growth that benefits poorer households and communities by supporting the access of micro and small enterprises (MSEs) to market opportunities;
3. Promoting the development of financial systems that are accessible to all and meet the diverse needs of MSEs and poor households; and
4. Improving the national, regional, or local enabling environment to boost the productivity, earnings, and competitiveness of MSEs.

The MD office will provide \$10,000,000 for the base “leader” five-year agreement for activities which address these objectives. In addition, USAID Missions and USAID/W offices and operating units will be able to enter into “associate” cooperative agreements for an amount up to \$340,000,000 over the five-year period. The LWA provides a contractually streamlined mechanism for missions to partner with NGOs and PVOs to meet poverty alleviation goals, as attractive an alternative to working with contracts and for-profit firms.

It is the agency’s expectation that the LWA will facilitate stronger collaboration between microfinance networks, other microenterprise partners and missions. This is one of a number of steps USAID has taken to ensure that it has access to the best possible combination of partners with which to implement its microenterprise programs.

This year’s tranche of funding from MD will support initial activities worldwide that will focus on testing new approaches and sharing knowledge widely within the practitioner community about what is working. MD plans a proactive dissemination strategy to missions and other operating units once the LWA is in place, to promote rapid and large-scale take-up of this new instrument.

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Involvement of Microenterprise Development Office in Mission Microenterprise Strategies

The law requires the new Microenterprise Development office to concur in strategies of USAID missions and bureaus that include microenterprise and microfinance components. To date, this has primarily entailed MD staff preparing comments on new regional bureaus strategies that have been developed over the past six months to provide the overall framework and parameters for mission strategies. As missions begin to develop more detailed strategies, based on the guidance offered by their respective regional bureaus, MD staff will review the relevant portions, offer input as appropriate, and decide whether to concur as part of the overall strategy review process. MD staff has been proactive in meeting the related provision in the law, i.e., that the Microenterprise Development office provide support and technical assistance for missions in developing

new strategy elements and components. In the past year, for example, MD staff has provided on-site assistance to missions including Colombia, Mexico, Haiti, Brazil, Albania, the Central Asian Republics, Azerbaijan, Serbia, Morocco, Egypt, Jordan, India, Sri Lanka, Sudan, Uganda, Tanzania, and South Africa. Staff has also provided extensive virtual technical support in both strategy and activity design for diverse missions including Pakistan, Iraq, Indonesia, and Afghanistan.

Choice of Implementing Partners

Achieving the best combination of partners is key to the Agency's microenterprise program, which draws on the talent and experience of some five hundred diverse implementing partners. Many but not all are nonprofits. We design our assistance agreements and programs to make the best possible use of the capabilities and expertise of this diverse practitioner community so that we can work effectively at all the levels of intervention required for success – from direct service provision to laws and policies..

The great majority of direct service providers supported by USAID are private, local organizations, including NGOs, cooperatives, credit unions, banks, non-bank financial institutions, business service providers, exporters and other marketing companies, training organizations, technology firms, consulting firms, and business associations. Sometimes USAID provides them with direct grant or DCA support – in other cases, USAID can more cost-effectively reach these direct service providers through intermediaries such as parent NGOs or PVOs that support them or organizations contracted by USAID to build capacity of multiple service providers at one time.

Typically, our international nonprofit partners -- such as the leading microfinance networks and other US PVOs -- function as intermediaries for technical and financial support to local service providers, rather than functioning as service providers themselves. Over the years they have demonstrated particular capacities to develop responsive, sustainable local organizations that deliver both financial and business services to poorer entrepreneurs and families. In many instances they have demonstrated their ability to build strong local institutions that serve as initial market leaders and can often grow dramatically to respond to increased client demand for services. The development mission of non-profit NGO and PVO intermediaries has often motivated them to seek innovations to serve poorer clients, reach more remote communities, or combine microenterprise and microfinance assistance with other critical interventions such as health care and education. In addition to their strengths as capacity-builders, the nonprofit structure of these partners permits them to mobilize private-sector resources from private donors and investors to support their local affiliates.

Some important microfinance and microenterprise development strategies require specialized expertise and scope of capacities not typically found in nonprofit PVOs. For example, policy work and building the capacity of regulators and supervisors typically draw more on the expertise of for-profit consulting firms, think tanks, and other specialized entities. Some consulting firms have developed the capacity to carry out complex retail capacity-building activities, such as the restructuring of very large state-

owned banks. While PVOs may engage in some types of applied and action research, educational institutions and consulting firms are often better at other types.

Obviously, it is difficult to generalize with absolute precision about the comparative advantage of different types of USAID implementing partners to implement different types of activities. However, these characterizations reflect our experience of almost three decades and shape our efforts to match the job to the expertise, capacity, and business model of the implementing partner.

Increasingly, missions are implementing microenterprise and microfinance activities through larger “umbrella programs,” where a single awardee (which can be either a consulting firm or a PVO/NGO) carries out a broad range of activities to boost economic opportunities for microenterprises or expand financial services for the poor; while managed by a single entity, typically the umbrella program is carried out by a consortium of partners with distinct expertise, given the breadth of skills required by the program. As noted below, often a substantial share of the overall funding for the program is set aside for subgrants and subcontracts to local service providers. Sometimes these umbrella programs are managed by apex organizations created specifically to channel technical and financial support to direct service providers.

Umbrella programs offer a number of advantages to USAID missions. Most importantly, they offer a cost-effective way to ensure that all the ingredients required for success – capacity-building and operating support for direct service providers, support for value chain development, strengthening support services for microfinance such as auditing firms or training services, policy analysis and reform, training bank supervisors to oversee microfinance operations – are brought together and can respond to changing circumstances in a comprehensive and flexible way. This is particularly important to the many USAID missions that are being asked to program larger budgets without concomitant increases in technical staff and procurement officers. They are attractive to missions precisely because they allow missions to advance complex programs with diverse partners doing what each of them does best, without incurring undue management burden. Another important advantage of umbrella programs is particularly obvious in more mature, competitive markets, where USAID and other donors fear distorting the market by providing too much support for a small number of individual service providers; umbrella programs offer a means to provide more target, “lighter” technical and financial assistance to a larger number of diverse service providers. In contrast, the leading PVO microfinance networks typically work with a single partner in any one country and would find it inappropriate to support multiple players. Use of an umbrella design can – and often does – involve creation of a substantial program component to make subgrants to direct service providers, an activity that may be beyond the contracting capacity of the mission to do directly.

As we have reported previously, USAID currently has underway a qualitative study that is analyzing experience with umbrella programs. It will serve as the basis for more detailed policy guidance to missions on whether, when and how to carry out microfinance or microenterprise programs through an umbrella design. This will include guidance on

such controversial issues as tailoring the design of activities to the stage of market development, alternatives for supporting market leader institutions, achieving an appropriate balance of resources between retail-level and policy-level work, ensuring effective oversight and approval of subgrant programs, and creating adequate incentives for optimal use of local consultants and sources of technical assistance (to achieve both cost-saving and capacity-building goals).

Because umbrella programs managed by for-profits typically involve sub-obligations to non-profits, accurate data on the full amount of USAID microenterprise funding to non-profits has remained elusive. However, we have instituted changes to our Microenterprise Results Reporting system in order that, beginning with the June 2006 report to Congress specified in this law, we will be able to report on the full amount of funds for non-profits including PVOs, NGOs, credit unions and cooperatives.

As it is, the MRR system captures data only on the share of USAID funding received directly by US PVOs, NGOs, cooperatives and credit unions for services to poor entrepreneurs. This share has averaged around 46% in the 1997-2004 period (the figure was 51 percent for FY2001, 45% for FY2002, 42% for FY2003 and 45% for 2004). As noted above, these nonprofit partners actually receive substantial additional funding through subgrants made by umbrella programs to direct service providers. In addition, PVOs and NGOs sometimes receive subcontracts to provide technical support to their local affiliates or carry out other technical work. Thus, even though we will not have the precise allocation until next year, we can state with some confidence that nonprofit implementing partners receive over half of USAID microenterprise funding.

Development of Tools to Assess Client Poverty Status

The Microenterprise for Self-Reliance Act mandated that half of all USAID microenterprise funds benefit the very poor. This legislation was amended in 2003, and now defines the very poor as those living on less than \$1 a day, or those living in the bottom 50% below their country's poverty line. The lack of widely applicable, low-cost tools for poverty assessment makes it difficult for USAID to determine whether it is meeting these mandated targets. Therefore, the law also requires USAID to develop and certify at least two tools for assessing the poverty level of its microenterprise beneficiaries.

An ambitious work plan is underway to have the poverty assessment tools designed, field-tested and ready for implementation by USAID in October 2006. Tools have been tested for accuracy and certified on a preliminary basis, pending tests for practicality, which will be conducted by practitioners who have received grants to do so. Last week, those practitioner grantees came to Washington for training, and they will begin testing the tools in their countries beginning as early as next month. The final tools, adjusted as necessary following the practicality tests, will be implemented by all partners that receive USAID microenterprise funds beginning in October, 2006. We hope that the tools will prove sufficiently valuable and cost-effective to more accurately measure the poverty status of clients of USAID-supported microenterprise institutions. We also hope that, once questions about poverty measurement have been addressed,

the Agency and its partners can turn our attention to questions about how better to serve very poor clients.

Data Collection and Analysis

For more than a decade, USAID has used its well-regarded Microenterprise Results Reporting (MRR) system as a means to ensure accountability for microenterprise funding and for the results of microenterprise programs supported by USAID. The top marks USAID received in the “accountability” category of the CGAP peer view are due in large part to the comprehensiveness and quality of the data and analysis generated by MRR.

MD has been working with the MRR team to respond to the many additional reporting requirements and data needs resulting from the new law. MRR already has added a module to allow us to capture data on sub-obligations, such as subcontracts and subgrants that are often a central component of microenterprise umbrella programs, to help us analyze issues such as the relative share of overall USAID funding devoted to contracts, grants and cooperative agreements, the extent of funding for direct service providers, and other efficiency and cost-effectiveness considerations raised by the law. MD is also working with MRR to put in place the basis for the required monitoring systems USAID for its microenterprise work, which will offer a base from which to recommend changes to enhance performance.

The additional reporting requirements in the new law are leading to other enhancements to MRR as well, to enable us to analyze and report on:

- the comparative cost-effectiveness and sustainability of projects carried out under these various mechanisms.
- efforts regarding “trafficking of persons and women who are victims of or susceptible to other forms of exploitation and violence”;
- an estimate of the percentage of beneficiaries of assistance under this title in countries where a strong relationship between poverty and race or ethnicity has been demonstrated; and
- the estimated percentage of assistance allocated to the very poor and the estimated number of the very poor reached with assistance.

These analyses and reporting systems will permit us to comment in more depth, in the June 2006 report to Congress, on the nature and amount of support to specially disadvantaged populations. They will also form the basis for reporting on the comparative advantages of different kinds of implementing partners and other program design and implementation issues related to the policy goals of cost-effectiveness, efficiency, and sustainability that are of critical importance to USAID and have been underscored in the microenterprise law.

Consultations with Implementing Partners

Earlier this year MD staff convened a very well-attended consultation with the PVO community of microenterprise practitioners to outline its new grant initiatives and seek

input on priority issue areas. Throughout the year MD worked very closely with the PVO community on design of the new Leader with Associates mechanism, including: seeking practitioner input in multiple venues; issuing a draft Request for Applications to permit extensive comment on its priorities, design, and selection criteria; and hosting a conference for prospective applicants that attracted more than 60 participants. MD also has continued discussions with the practitioner community about ongoing areas of collaboration such as the Business Development Services grantee network and SEEP's Poverty Outreach Working Group and other working groups. The practitioner members of the poverty tools advisory group have participated very actively throughout the year and provided the essential "users' perspective" on both the accuracy and practicality aspects of the tools development process. USAID is planning a major Microenterprise Learning Conference in January of 2006, and is seeking active practitioner involvement in planning the agenda and sessions.

In sum, USAID has moved vigorously to implement the new microenterprise law and made much progress on each of its key provisions. We are committed to continuing to do so, in close consultation with Congress and our implementing partners. I am happy to answer additional questions you have about the Agency's implementation of PL 108-484.